

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Handy	County Livingston
Fiscal Year End June 30, 2007	Opinion Date December 7, 2007	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


5

2 Check each applicable box below. (See instructions for further detail.)

1. ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Maner, Costerisan, & Ellis, P.C.		Telephone Number 517-323-7500	
Street Address 544 Cherbourg, Suite 200		City Lansing	State MI
		Zip 48917	
Authorizing CPA Signature 		Printed Name Lamonte Lator	License Number 8901

TOWNSHIP OF HANDY
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)
YEAR ENDED JUNE 30, 2007

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Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Township of Handy
Fowlerville, Michigan

December 7, 2007

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Handy, State of Michigan as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Handy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

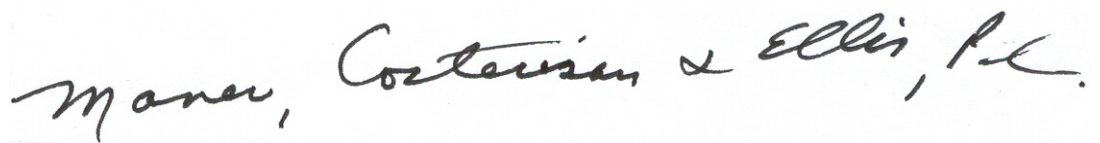
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Handy, State of Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Township of Handy
Fowlerville, Michigan

December 7, 2007

The management's discussion and analysis and budgetary comparison information on pages v through xvi and 26 and 27 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Maner, Costantino & Ellis, P.C." The signature is written in a cursive, flowing style.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Township of Handy (Township), we offer readers of the Township of Handy's financial statements this narrative overview and analysis of the financial activities of the Township of Handy for the fiscal year ended June 30, 2007.

FINANCIAL HIGHLIGHTS

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$12.2 million dollars (net assets). Of this amount, \$9.7 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$254 thousand dollars.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$978 thousand, an increase of \$128 thousand in comparison with the prior year. Approximately \$706 thousand is available for spending.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$706 thousand, or 89 percent of total general fund expenditures.
- The Township's total long-term liabilities decreased \$530 thousand. The decrease was due to the Township making the required debt payments based on the repayment schedule.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent personal property taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public works, other activities, and culture and recreation. The business-type activities of the Township include water and sewer activity.

The government-wide financial statements can be found on pages 2 and 3 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains two individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other governmental fund is combined into a single, aggregated presentation.

The Township adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund in the required supplementary information..

The basic governmental fund financial statements can be found on pages 4 through 6 of this report.

Proprietary funds. The Township maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its water and sewer activity. The Township does not utilize an internal service fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer funds, both of which are considered to be major funds of the Township.

The basic proprietary fund financial statements can be found on pages 7 through 10 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 24 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Township, assets exceeded liabilities by \$12.2 million at the close of the most recent fiscal year.

Investment in capital assets represents 20 percent of the Township's net assets (e.g., land, building, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Township of Handy's Net Assets

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 1,224,463	\$ 1,084,323	\$ 9,180,723	\$ 9,914,487	\$ 10,405,186	\$ 10,998,810
Capital assets	638,194	595,997	10,523,798	10,303,860	11,161,992	10,899,857
Total assets	<u>1,862,657</u>	<u>1,680,320</u>	<u>19,704,521</u>	<u>20,218,347</u>	<u>21,567,178</u>	<u>21,898,667</u>
Long-term liabilities outstanding	310,000	330,000	7,975,000	8,485,000	8,285,000	8,815,000
Other liabilities	210,860	208,670	894,637	952,298	1,105,497	1,160,968
Total liabilities	<u>520,860</u>	<u>538,670</u>	<u>8,869,637</u>	<u>9,437,298</u>	<u>9,390,497</u>	<u>9,975,968</u>
Net assets:						
Invested in capital assets, net of related debt	308,194	245,997	2,122,963	1,397,890	2,431,157	1,643,887
Restricted	9,582	9,109			9,582	9,109
Unrestricted	<u>1,024,021</u>	<u>886,544</u>	<u>8,711,921</u>	<u>9,383,159</u>	<u>9,735,942</u>	<u>10,269,703</u>
Total net assets	<u>\$ 1,341,797</u>	<u>\$ 1,141,650</u>	<u>\$ 10,834,884</u>	<u>\$ 10,781,049</u>	<u>\$ 12,176,681</u>	<u>\$ 11,922,699</u>

An additional portion of the Township's net assets (0.08 percent) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets (\$9.7 million) may be used to meet the government's ongoing obligations to citizens and creditors, however, \$8.03 million is for special assessments and will be received over 20 years.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The restricted governmental fund net assets increased by \$473 which arose from increases in the debt service fund amounts restricted by source of revenue such as debt payment.

The government's net assets increased by \$254 thousand during the current fiscal year. About 100 percent of this increase is attributed to ongoing revenues having outstripped similar increases in ongoing expenditures.

Governmental activities. Governmental activities increased the Township's net assets by \$200,147, thereby accounting for 79 percent of the total growth, while the business-type activities net assets increased by \$53,835, which represents 21 percent of the growth in the net assets of the Township. Key elements of this increase are as follows:

Township of Handy's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 12,517	\$ 39,883	\$ 165,491	\$ 86,939	\$ 178,008	\$ 126,822
Capital grants and contributions			434,838	5,662,000	434,838	5,662,000
General revenues:						
Property taxes	530,218	431,700			530,218	431,700
State sources	275,546	325,044			275,546	325,044
Investment earnings	81,791	22,376	62,339	40,409	144,130	62,785
Rental income	44,286	63,442			44,286	63,442
Other	22,969	231,718			22,969	231,718
Total revenues	<u>967,327</u>	<u>1,114,163</u>	<u>662,668</u>	<u>5,789,348</u>	<u>1,629,995</u>	<u>6,903,511</u>
Expenses:						
General government	419,583	377,430			419,583	377,430
Public works	195,712	266,422			195,712	266,422
Community and economic development	89,248	130,017			89,248	130,017
Culture and recreation	27,727	27,676			27,727	27,676
Other	19,557	35,013			19,557	35,013
Interest on long-term debt	15,353	16,242			15,353	16,242
Water			84,100	62,800	84,100	62,800
Sewer			524,733	453,979	524,733	453,979
Total expenses	<u>767,180</u>	<u>852,800</u>	<u>608,833</u>	<u>516,779</u>	<u>1,376,013</u>	<u>1,369,579</u>
Increase in net assets	200,147	261,363	53,835	5,272,569	253,982	5,533,932
Net assets, beginning of year	<u>1,141,650</u>	<u>880,287</u>	<u>10,781,049</u>	<u>5,508,480</u>	<u>11,922,699</u>	<u>6,388,767</u>
Net assets, end of year	<u>\$ 1,341,797</u>	<u>\$ 1,141,650</u>	<u>\$ 10,834,884</u>	<u>\$ 10,781,049</u>	<u>\$ 12,176,681</u>	<u>\$ 11,922,699</u>

- Property taxes increased by \$98,518 (23 percent) during the year. Most of this increase is the product of new construction.
- Overall government activities revenue is down \$146,836 from prior year. The Township received reimbursements for expenses that they incurred on behalf of others in the previous year accounted for most of the decrease. The increase in property taxes, investment earnings helped limit the fall in revenue.
- Expenses for governmental activities went from \$852 thousand to \$767 thousand, a decrease of \$85 thousand. A majority of the decrease is due to less funding allocated for road repair and maintenance.

Business-type activities. Business-type activities increased the Township's net assets by \$53,835. Key elements of this increase are as follows.

- **Charges for services** - Charges in services increased by \$78,552, due to more customers.
- **Investment earnings** - Investment earnings increased by \$21,930.

The contributions received, along with the increase in investment earnings was used to offset a combined operating loss of the water and sewer fund of \$73,940.

Financial Analysis of the Government's Funds

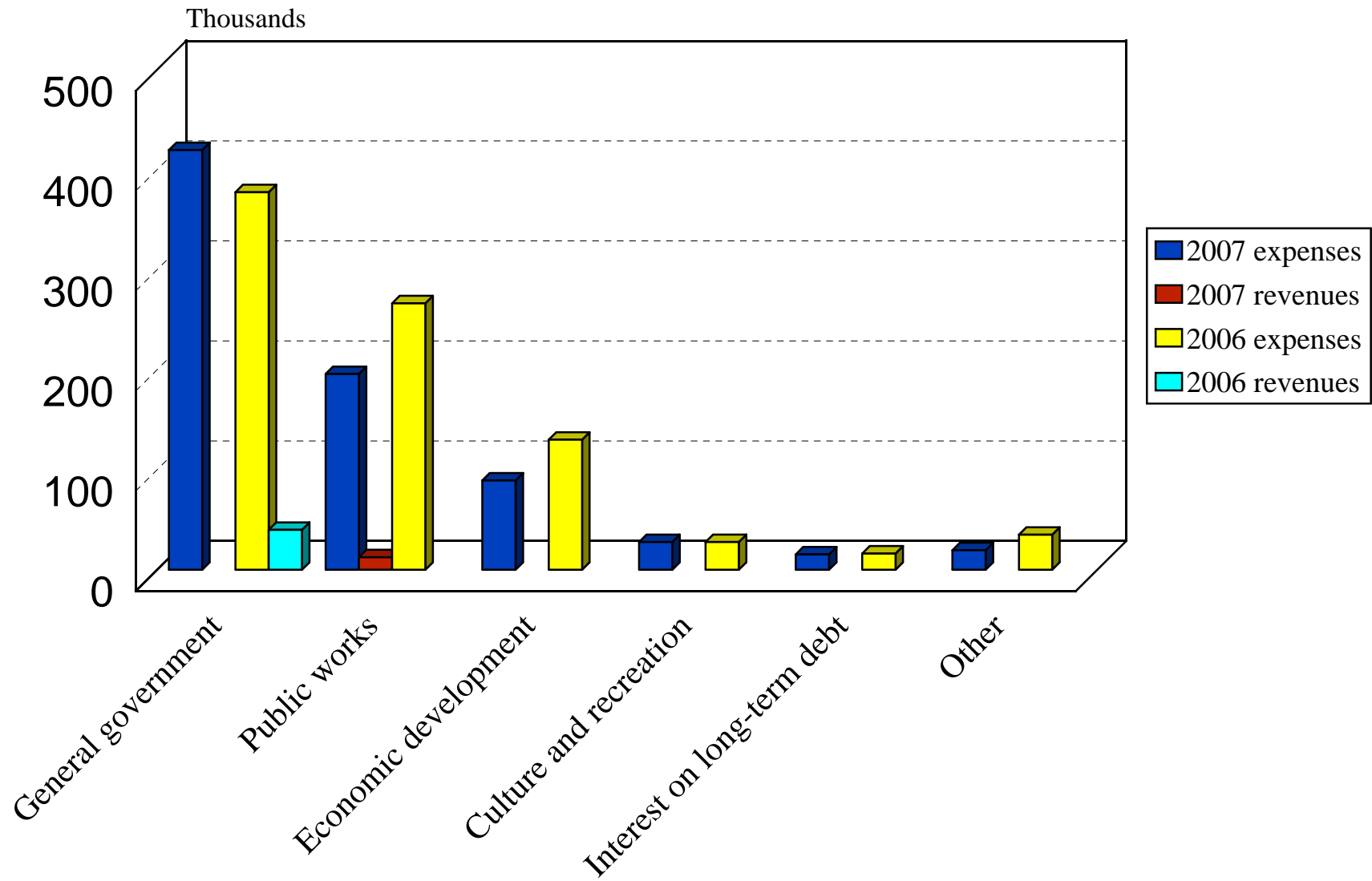
As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

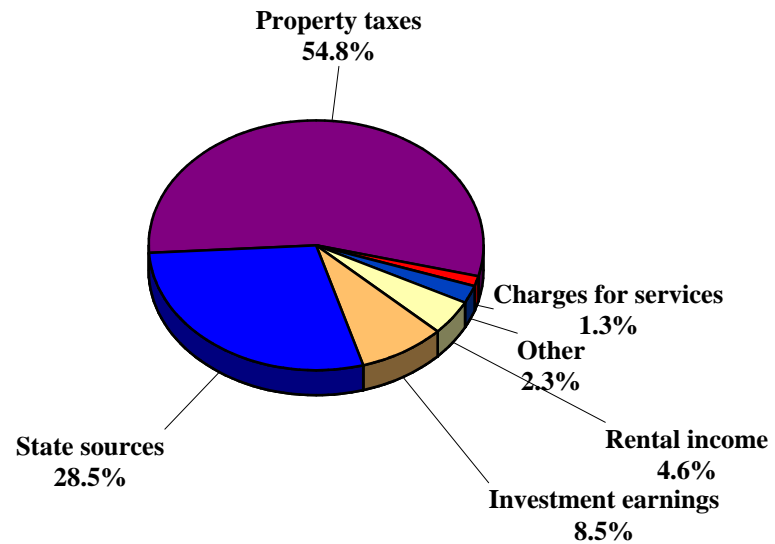
As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balance of \$978 thousand, an increase of \$128 thousand in comparison with the prior year. Approximately all of the total amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion although special revenue and capital projects funds generally are limited to types of expenditures. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$13,296), or 2) for a variety of other designated purposes (\$259,096).

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$706 thousand, while total fund balance reached \$965 thousand. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 89 percent of total general fund expenditures, while total fund balance represents 122 percent of that same amount.

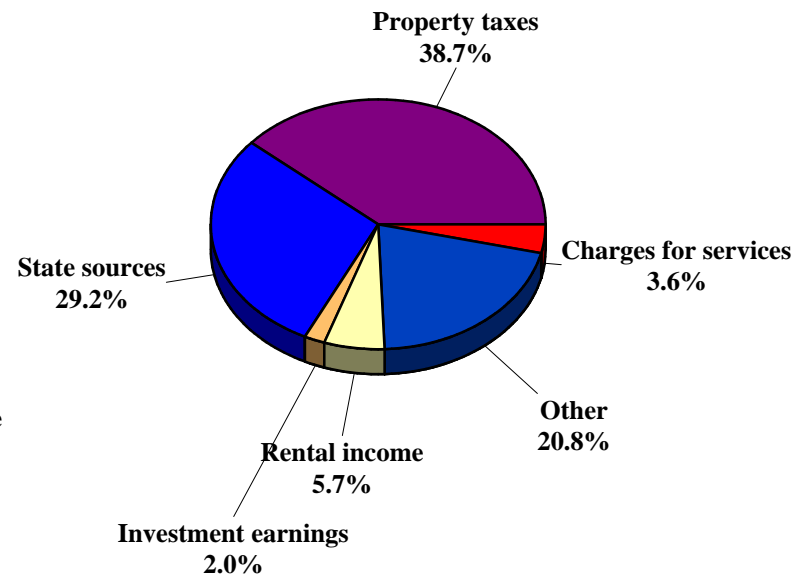
Township of Handy
Expenses and Program Revenues - Governmental Activities
June 30



**Township of Handy
Revenues by Source - Governmental Activities
June 30**

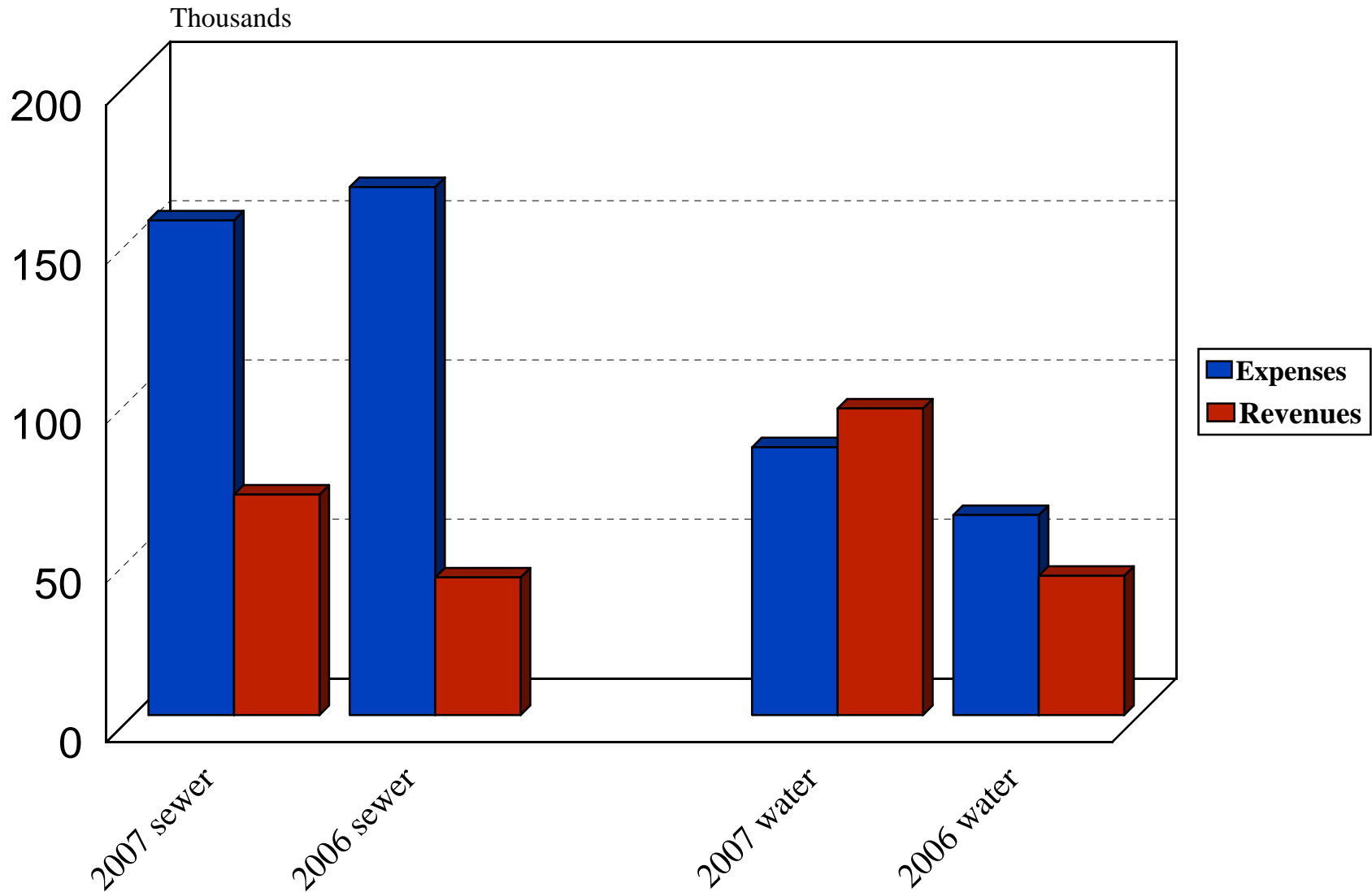


2007

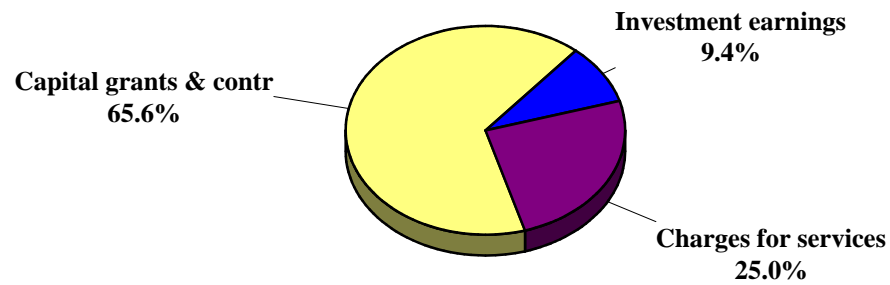


2006

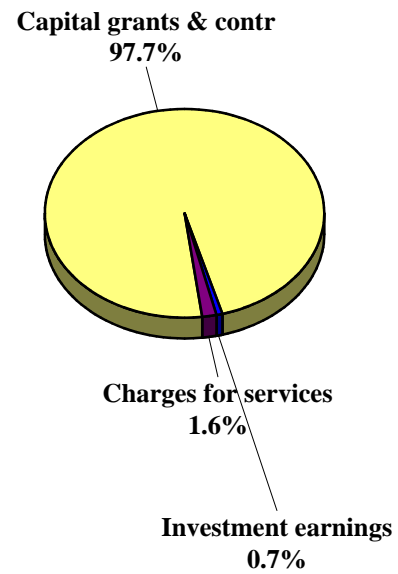
Township of Handy
Operating Expenses and Program Revenues - Business-type Activities
June 30



Township of Handy
Revenues by Source - Business-type Activities
June 30



2007



2006

The fund balance of the Township's general fund increased by \$128 thousand during the current fiscal year. The key factor in this increase are as follows:

- Township departments were very conservative when making purchases.

The debt service fund has a total fund balance of \$13,296, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$251. Operating transfers decreased due to funding the payments of the principal amount required for the debt maturity schedule.

Proprietary funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets for the water and sewer funds at the end of the year amounted to \$8.7 million. The total increase in net assets amounted to \$53,835. Other factors concerning the finances of this fund have already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

The final amended budget remained consistent with the original budget, however individual categorical changes can be summarized as follows:

- \$48,630 increase in general government activities
- \$2,142 increase in community and economic development
- \$50,771 decrease in other activities

The main reason for the changes resulted from reallocating expenses across the different governmental activities. During the year actual revenue received exceeded the budgetary estimates. This arises primarily from increase in investment earnings.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business type activities as of June 30, 2007, amounts to \$11.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and building equipment, furniture and equipment, water and sewer systems, and construction in process. The total increase in the Township's investment in capital assets for the current fiscal year was 4 percent (a 7 percent increase for governmental activities and a 2 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Continued construction of the West Grand River sewer project in the amount of \$296,528.
- Remodeling the Township office building for \$75,238.

Township of Handy's Capital Assets
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 20,000	\$ 20,000	\$	\$	\$ 20,000	\$ 20,000
Building and building equipment	590,694	535,394			590,694	535,394
Furniture and equipment	27,500	40,603			27,500	40,603
Sewer and water mains			5,526,800	5,357,223	5,526,800	5,357,223
Construction in process			4,996,998	4,946,137	4,996,998	4,946,137
	<u>\$ 638,194</u>	<u>\$ 595,997</u>	<u>\$ 10,523,798</u>	<u>\$ 10,303,360</u>	<u>\$ 11,161,992</u>	<u>\$ 10,899,357</u>

Additional information on the Township's capital assets can be found in Note 4 on pages 19 and 20 of this report.

Long-term debt. At the end of the current fiscal year, the Township had total long-term debt outstanding of \$8.8 million. Of this amount, \$8.8 million comprises debt backed by the full faith and credit of the government. The amount of \$8.5 million of the Township's debt represents bonds secured solely by specified special assessments. The remaining \$330 thousand represents other long-term items.

Township of Handy's Outstanding Debt
General Obligation Bonds and Capital Leases

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation	\$ 330,000	\$ 350,000	\$	\$	\$ 330,000	\$ 350,000
Capital leases			8,485,000	8,995,000	8,485,000	8,995,000
Total	<u>\$ 330,000</u>	<u>\$ 350,000</u>	<u>\$ 8,485,000</u>	<u>\$ 8,995,000</u>	<u>\$ 8,815,000</u>	<u>\$ 9,345,000</u>

The Township's total debt decreased by \$530 thousand (6 percent) during the current fiscal year. The key factor in this decrease was timely payments based on the repayment schedules.

Additional information on the Township's long-term debt can be found in Note 6 on pages 21 through 23 of this report.

Economic Factors and Next Year's Budgets and Rates

These factors were taken into consideration when preparing the fiscal year 2008 budget.

Township of Handy's goal is to continually look for the most efficient and effective methods to maintain and enhance the services that are provided to the public. The Township is described as "a growing economic base with a sound financial position and minimal capital needs". The Township has a conservative and financially prudent budget for the fiscal year 2008 that also promotes and funds numerous project objectives that have been set by the Township's Strategic Plan.

The Township has deliberately made conservative estimates concerning state revenue sharing for fiscal year 2008 due to the budget constraints at the State level. It has also estimated investment earnings conservatively anticipating a slow increase in interest rates.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should contact the Township of Handy's Office at (517) 223-3228.

BASIC FINANCIAL STATEMENTS

**TOWNSHIP OF HANDY
STATEMENT OF NET ASSETS
JUNE 30, 2007**

		Primary Government		
		Governmental activities	Business-type activities	Total
ASSETS				
CURRENT ASSETS:				
Cash		\$ 157,721	\$ 502,815	\$ 660,536
Cash held in trust at Livingston County			633,955	633,955
Investments		512,000		512,000
Receivables:				
Accounts		162,805	45,755	208,560
Interest		22,070		22,070
Special assessment - interest			247,452	247,452
Special assessment - current			483,535	483,535
Internal balances		361,867	(361,867)	
Prepaid expenditures		8,000		8,000
TOTAL CURRENT ASSETS		1,224,463	1,551,645	2,776,108
NONCURRENT ASSETS:				
Deferred charges:				
Unamortized bond discounts			84,165	84,165
Special assessments - deferred			7,544,913	7,544,913
TOTAL NONCURRENT ASSETS			7,629,078	7,629,078
CAPITAL ASSETS:				
Land and construction in progress		20,000	4,996,998	5,016,998
Other capital assets, net of accumulated depreciation		618,194	5,526,800	6,144,994
TOTAL CAPITAL ASSETS		638,194	10,523,798	11,161,992
TOTAL ASSETS		1,862,657	19,704,521	21,567,178
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Checks written against future deposits			2,720	2,720
Accounts payable		168,002	146,837	314,839
Accrued salaries and related items		19,144		19,144
Accrued interest		3,714	29,023	32,737
Contract retainers payable			206,057	206,057
Current portion of long term obligations		20,000		20,000
Current portion of capital lease			510,000	510,000
TOTAL CURRENT LIABILITIES		210,860	894,637	1,105,497
NONCURRENT LIABILITIES:				
Noncurrent portion of long term obligations:				
Other long-term debt		310,000		310,000
Capital lease			7,975,000	7,975,000
TOTAL NONCURRENT LIABILITIES		310,000	7,975,000	8,285,000
TOTAL LIABILITIES		520,860	8,869,637	9,390,497
NET ASSETS:				
Invested in capital assets net of related debt		308,194	2,122,963	2,431,157
Restricted for debt service		9,582		9,582
Unrestricted		1,024,021	8,711,921	9,735,942
TOTAL NET ASSETS		\$ 1,341,797	\$ 10,834,884	\$ 12,176,681

See notes to financial statements.

**TOWNSHIP OF HANDY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government		
					Governmental activities	Business-type activities	Total
Primary government:							
Governmental activities:							
General government	\$ 419,583	\$	\$	\$	\$ (419,583)	\$	\$ (419,583)
Public works	195,712	12,517			(183,195)		(183,195)
Community and economic development	89,248				(89,248)		(89,248)
Culture and recreation	27,727				(27,727)		(27,727)
Other	19,557				(19,557)		(19,557)
Interest on long-term debt	15,353				(15,353)		(15,353)
Total governmental activities	767,180	12,517			(754,663)		(754,663)
Business-type activities:							
Water	84,100	96,265				12,165	12,165
Sewer	524,733	69,226		434,838		(20,669)	(20,669)
Total business activities	608,833	165,491		434,838		(8,504)	(8,504)
Total primary government	\$ 1,376,013	\$ 178,008	\$	\$ 434,838	\$ (754,663)	\$ (8,504)	(763,167)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 530,218	\$	\$ 530,218
State sources					275,546		275,546
Investment earnings					81,791	62,339	144,130
Rental income					44,286		44,286
Other					22,969		22,969
Total general revenues					954,810	62,339	1,017,149
Change in net assets					200,147	53,835	253,982
Net assets, beginning of year					1,141,650	10,781,049	11,922,699
Net assets, end of year					\$ 1,341,797	\$ 10,834,884	\$ 12,176,681

See notes to financial statements.

**TOWNSHIP OF HANDY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General	Nonmajor governmental fund Debt service	Total governmental funds
ASSETS			
ASSETS:			
Cash	\$ 156,425	\$ 1,296	\$ 157,721
Investments	500,000	12,000	512,000
Receivables:			
Accounts	162,805		162,805
Interest	22,070		22,070
Due from other funds	361,867		361,867
Prepaid expenditures	8,000		8,000
TOTAL ASSETS	<u><u>\$ 1,211,167</u></u>	<u><u>\$ 13,296</u></u>	<u><u>\$ 1,224,463</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 168,002	\$	\$ 168,002
Accrued salaries and related items	19,144		19,144
Deferred revenue	59,124		59,124
TOTAL LIABILITIES	<u>246,270</u>		<u>246,270</u>
FUND BALANCES:			
Reserved for debt service		13,296	13,296
Reserved for prepaid expenditures	8,000		8,000
Designated for subsequent years' expenditures	251,096		251,096
Unreserved, undesignated	705,801		705,801
TOTAL FUND BALANCES	<u>964,897</u>	<u>13,296</u>	<u>978,193</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,211,167</u></u>	<u><u>\$ 13,296</u></u>	<u><u>\$ 1,224,463</u></u>
Total governmental fund balances			\$ 978,193
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:			
Cost of the capital assets		\$ 854,788	
Less accumulated depreciation		<u>216,594</u>	
			638,194
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:			
Other long-term debt			(330,000)
Accrued interest			(3,714)
Balance of refunds and state revenue sharing at June 30, 2007, less allowance for doubtful accounts, expected to be collected after September 1, 2007			
			<u>59,124</u>
Net assets of governmental activities			<u><u>\$ 1,341,797</u></u>

See notes to financial statements.

TOWNSHIP OF HANDY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Nonmajor governmental fund Debt service	Total governmental funds
REVENUES:			
Local sources:			
Property taxes	\$ 530,218	\$	\$ 530,218
Licenses and permits	10,373		10,373
Charges for services	2,144		2,144
Investment earnings	81,540	251	81,791
Rental income and royalties	44,286		44,286
Other	7,768		7,768
Total local sources	676,329	251	676,580
State sources	280,888		280,888
Total revenues	957,217	251	957,468
EXPENDITURES:			
Current:			
General government	461,780		461,780
Public works	195,712		195,712
Community and economic development	89,248		89,248
Culture and recreation	27,727		27,727
Other	19,557		19,557
Debt service:			
Principal repayment		20,000	20,000
Interest expense		15,300	15,300
Other		275	275
Total expenditures	794,024	35,575	829,599
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	163,193	(35,324)	127,869
OTHER FINANCING SOURCES (USES):			
Interfund transfers to other funds	(35,575)		(35,575)
Interfund transfers from other funds		35,575	35,575
Total other financing sources (uses)	(35,575)	35,575	
Net change in fund balances	127,618	251	127,869
FUND BALANCES:			
Beginning of year	837,279	13,045	850,324
End of year	\$ 964,897	\$ 13,296	\$ 978,193

See notes to financial statements.

TOWNSHIP OF HANDY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 127,869
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(33,041)
Capital outlay	75,238
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Beginning of the year	(49,265)
End of the year	59,124
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable beginning of the year	3,936
Accrued interest payable end of the year	(3,714)
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	<u>20,000</u>
Change in net assets of governmental activities	<u><u>\$ 200,147</u></u>

**TOWNSHIP OF HANDY
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2007**

ASSETS	Business-type activities - Enterprise funds		
	Sewer fund	Water fund	Total
CURRENT ASSETS:			
Cash	\$ 502,815	\$	\$ 502,815
Cash held in trust with Livingston County	633,955		633,955
Receivables:			
Accounts	25,674	20,081	45,755
Special assessment - interest	247,452		247,452
Special assessment - current	483,535		483,535
Due from other funds		67,121	67,121
TOTAL CURRENT ASSETS	1,893,431	87,202	1,980,633
NONCURRENT ASSETS:			
Deferred charges:			
Unamortized bond discounts	84,165		84,165
Special assessment	7,544,913		7,544,913
TOTAL NONCURRENT ASSETS	7,629,078		7,629,078
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation	9,423,863	1,099,935	10,523,798
TOTAL ASSETS	18,946,372	1,187,137	20,133,509
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Checks written against future deposits		2,720	2,720
Accounts payable	146,837		146,837
Accrued interest	29,023		29,023
Contract retainers payable	206,057		206,057
Current portion of capital lease	510,000		510,000
Due to other funds	167,121	261,867	428,988
TOTAL CURRENT LIABILITIES	1,059,038	264,587	1,323,625
LONG-TERM LIABILITIES, net of current portion:			
Capital lease	7,975,000		7,975,000
TOTAL LIABILITIES	9,034,038	264,587	9,298,625
NET ASSETS:			
Invested in capital assets net of related debt	1,023,028	1,099,935	2,122,963
Unrestricted	8,889,306	(177,385)	8,711,921
TOTAL NET ASSETS	\$ 9,912,334	\$ 922,550	\$ 10,834,884

See notes to financial statements.

**TOWNSHIP OF HANDY
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2007**

	Business-type activities - Enterprise funds		
	Sewer fund	Water fund	Total
OPERATING REVENUES:			
Charges for services	\$ 69,226	\$ 74,345	\$ 143,571
Other		21,920	21,920
Total operating revenues	69,226	96,265	165,491
OPERATING EXPENSES:			
Costs of sales and services	61,758	52,862	114,620
Depreciation	93,573	31,238	124,811
Total operating expenses	155,331	84,100	239,431
Operating income (loss)	(86,105)	12,165	(73,940)
NON-OPERATING REVENUES (EXPENSES):			
Special assessments - contributed capital	434,838		434,838
Investment income - net	62,204	135	62,339
Interest and fiscal charges	(364,537)		(364,537)
Bond discount amortization	(4,865)		(4,865)
Total non-operating revenues - net	127,640	135	127,775
Change in net assets	41,535	12,300	53,835
NET ASSETS, beginning of year	9,870,799	910,250	10,781,049
NET ASSETS, end of year	<u>\$ 9,912,334</u>	<u>\$ 922,550</u>	<u>\$ 10,834,884</u>

**TOWNSHIP OF HANDY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007**

	Business-type activities - Enterprise		
	Sewer fund	Water fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
ACTIVITIES:			
Receipts from customers and users	\$ 66,895	\$ 4,003	\$ 70,898
Other		21,920	21,920
Payment to suppliers	(61,758)	(50,142)	(111,900)
Payment (receipts) for interfund services	67,121		67,121
Net cash provided (used) in operating activities	72,258	(24,219)	48,039
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest received from special assessments	449,727		449,727
Receipt of payment from county trust account	387,897		387,897
Proceeds (payments) from special assessments	515,166		515,166
Principal repayments on debt	(510,000)		(510,000)
Interest (paid) earned on bonds and land contract	(365,972)		(365,972)
Payments for capital acquisitions	(403,695)		(403,695)
Net cash provided by capital and related financing activities	73,123		73,123
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received from investments	62,204	135	62,339
NET INCREASE (DECREASE) IN CASH	207,585	(24,084)	183,501
CASH:			
Beginning of year	295,230	24,084	319,314
End of year	\$ 502,815	\$	\$ 502,815

**TOWNSHIP OF HANDY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007**

	<u>Business-type activities - Enterprise</u>		
	<u>Sewer fund</u>	<u>Water fund</u>	<u>Total</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSE) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ (86,105)	\$ 12,165	\$ (73,940)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	93,573	31,238	124,811
(Increase) decrease in assets:			
Receivables	(2,331)	(3,221)	(5,552)
Checks written against future deposits		2,720	2,720
Due to/from other funds-net	67,121	(67,121)	
Net cash provided (used) in operating activities	<u>\$ 72,258</u>	<u>\$ (24,219)</u>	<u>\$ 48,039</u>

**TOWNSHIP OF HANDY
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2007**

	<u>Trust and agency</u>	<u>Planning and zoning escrow</u>	<u>Tax collection fund</u>	<u>Total fiduciary funds</u>
ASSETS				
ASSETS:				
Cash	\$ 37,119	\$ 58,714	\$ 780,203	\$ 876,036
Interest receivable			1,866	1,866
TOTAL ASSETS	<u>\$ 37,119</u>	<u>\$ 58,714</u>	<u>\$ 782,069</u>	<u>\$ 877,902</u>
LIABILITIES				
LIABILITIES:				
Due to other local units of government	\$ 37,119	\$ 20,494	\$ 782,069	\$ 839,682
Contractors payable		38,220		38,220
TOTAL LIABILITIES	<u>\$ 37,119</u>	<u>\$ 58,714</u>	<u>\$ 782,069</u>	<u>\$ 877,902</u>

TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Handy (Township) was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Livingston County, and is governed by a five member elected board. The Township provides the following services to its residents; public safety (fire), public improvements (streets, sewers, water system, lighting), planning and zoning, and general administrative services.

In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) has no component units and accordingly, the Township has not consolidated any entities into its financial statements.

Joint Operations

The Township, in conjunction with the Townships of Conway and Iosco and the Village of Fowlerville, have entered into an agreement that created the Fowlerville Area Fire Authority. The Fire Authority is composed of one (1) member from each of the member municipalities.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as claims and judgments, are recorded only when payment is due.

Licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The *water and sewer funds* are used to account for the results of operations that provide a service to citizens that are financed primarily by user charges for the provision of that service.

TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Additionally, the government reports the following fund type:

Debt service fund - The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt. The Township's only current debt service fund relates to the Fire Station.

Additionally, the government reports as fiduciary funds the tax collection fund, trust and agency, and planning and zoning escrow (agency funds).

The *tax collection fund* is utilized to account for the Township's collection of taxes for other governmental units.

The *trust and agency fund* accounts for the collection of delinquent taxes for other governmental units and performance bonds.

The *planning and zoning escrow fund* accounts for collection of zoning permits and the expenses related to the permit.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for water, sewer and engineering services between the water and sewer funds and other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. The funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

Cash includes amounts in petty cash and demand deposits. Investments include instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value.

State statutes authorized the Township to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Concluded)

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” and are all current. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Accounts receivable in the proprietary funds do not have an allowance for uncollectibles. Delinquent amounts are determined on an individual basis and will be taken to court to enforce collection and as a consequence, no allowance is deemed necessary at this time.

E. Capital Assets

Capital assets, which include land, buildings and improvements, furniture and equipment, and utility systems, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvement are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, is depreciated using the straight-line method over the following estimated useful live:

Assets	Years
Buildings and building equipment	20 - 50
Water and sewer systems	50
Furniture and equipment	3-5

TOWNSHIP OF HANDY NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

F. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

G. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - LEGAL COMPLIANCE - BUDGETS

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the general fund. All annual appropriations lapse at fiscal year-end.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Township does not utilize encumbrance accounting.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to June 1 of each year, a proposed budget is submitted to the Township Board for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

**TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - LEGAL COMPLIANCE - BUDGETS (Concluded)

2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1 the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. Budgets for general fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted, or as amended by the Township Board during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

NOTE 3 - CASH DEPOSITS - CREDIT RISK

As of June 30, 2007, the Township had no investments as defined by accounting principles generally accepted in the United States of America.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2007, \$1,759,253 of the Township's bank balance of \$2,059,253 was exposed to custodial credit risk because it was uninsured and uncollateralized. Certificate of deposits and fiduciary funds are included in the above totals. The Township also has an additional \$633,955 of cash held in a trust at Livingston County. This amount is not included in the above totals. The book balance is as follows:

Deposits , including agency funds of \$876,036	\$ 1,536,572
Cash held in trust at Livingston County	633,955
Investments - certificate of deposits	<u>512,000</u>
	<u><u>\$ 2,682,527</u></u>

TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CASH DEPOSITS - CREDIT RISK (Concluded)

The above amounts are reported in the financial statements as follows:

Cash - fiduciary funds	\$ 876,036
Cash - township wide	660,536
Cash held in a trust at Livingston County	633,955
Investments - township wide	<u>512,000</u>
	<u><u>\$ 2,682,527</u></u>

NOTE 4 - CAPITAL ASSETS

The capital assets are as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Primary government:				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 20,000	\$	\$	\$ 20,000
Capital assets, being depreciated:				
Buildings and building equipment	630,503	75,238		705,741
Furniture and equipment	129,047			129,047
Total capital assets, being depreciated	<u>759,550</u>	<u>75,238</u>		<u>834,788</u>
Less accumulated depreciation for:				
Buildings and building equipment	95,109	19,938		115,047
Furniture and equipment	88,444	13,103		101,547
Total accumulated depreciation	<u>183,553</u>	<u>33,041</u>		<u>216,594</u>
Total capital assets, being depreciated, net	<u>575,997</u>	<u>42,197</u>		<u>618,194</u>
Total	<u><u>\$ 595,997</u></u>	<u><u>\$ 42,197</u></u>	<u><u>\$</u></u>	<u><u>\$ 638,194</u></u>

TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS (Concluded)

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Primary government:				
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 4,946,137	\$ 296,528	\$ 245,667	\$ 4,996,998
Capital assets, being depreciated:				
Water system	924,975	245,667		1,170,642
Sewer system	4,654,561	48,221		4,702,782
Total capital assets, being depreciated	5,579,536	293,888		5,873,424
Less accumulated depreciation for:				
Water system	39,469	31,238		70,707
Sewer system	182,344	93,573		275,917
Total accumulated depreciation	221,813	124,811		346,624
Total capital assets, being depreciated, net	5,357,723	169,077		5,526,800
Total	\$ 10,303,860	\$ 465,605	\$ 245,667	\$ 10,523,798

Depreciation expense was charged to functions/programs of the primary government at June 30, 2007 as follows:

Governmental activities:	
General government	\$ 33,041
Business type activities:	
Water	\$ 31,238
Sewer	93,573
Total depreciation expense - business-type activities	\$ 124,811

**TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

The composition of interfund balances as of June 30, 2007 is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Amount</u>	<u>Payable fund</u>	<u>Amount</u>
General	\$ 361,867	Water fund	\$ 261,867
Water fund	<u>67,121</u>	Sewer fund	<u>167,121</u>
	<u>\$ 428,988</u>		<u>\$ 428,988</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The general fund expects to collect in the subsequent year.

Interfund transfers:

<u>Transfers out</u>		<u>Transfer in</u>	
General fund	<u>\$ 35,575</u>	Nonmajor debt service	<u>\$ 35,575</u>

Transfers are used to move funds for the payment of principal and interest on long-term debt.

NOTE 6 - LONG-TERM DEBT

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities for the fire hall. The original amount of general obligation bonds issued in prior years was \$400,000.

TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM DEBT (Continued)

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 15-year serial bonds with differing amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Government activities	4.45% - 4.70%	\$ 330,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year ending June 30,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 20,000	\$ 14,410
2009	25,000	13,409
2010	25,000	12,296
2011	25,000	11,184
2012	30,000	9,960
2013 - 2017	165,000	28,721
2018 - 2022	40,000	940
	<u>\$ 330,000</u>	<u>\$ 90,920</u>

The Township entered into two capital leases with Livingston County for the sewer systems. The capital leases outstanding at June 30, 2007 are as follows:

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
2003 sewer system	2.70% - 4.75%	\$ 3,690,000
2005 sewer disposal	4.00% - 4.50%	4,795,000
		<u>\$ 8,485,000</u>

The total interest expense on the capital leases amounted to \$364,537 at June 30, 2007.

TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM DEBT (Concluded)

The future minimum lease obligations as of June 30 were as follows:

Year ending June 30,	Business-type activities	
	Principal	Interest
2008	\$ 510,000	\$ 348,281
2009	510,000	331,066
2010	510,000	312,871
2011	510,000	293,941
2012	510,000	274,399
2013-2017	2,550,000	1,065,381
2018-2022	2,575,000	525,588
2023-2025	810,000	72,023
	<u>\$ 8,485,000</u>	<u>\$ 3,223,550</u>

Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2007, was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 350,000	\$	\$ 20,000	\$ 330,000	\$ 20,000
Business-type activities:					
Capital lease	8,995,000		510,000	8,485,000	510,000
	<u>\$ 9,345,000</u>	<u>\$</u>	<u>\$ 530,000</u>	<u>\$ 8,815,000</u>	<u>\$ 530,000</u>

TOWNSHIP OF HANDY NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PROPERTY TAX REVENUE

Property taxes become an enforceable lien on the property as of July 1 and December 1. Taxes are levied on July 1 and December 1 and are due in September and February of the following year. The Township bills and collects its own property taxes and also taxes for the county, intermediate school district, community college and school districts. All tax collections are accounted for in the tax collection fund, an agency fund. Township tax revenues are recognized in the fiscal year following the December 1 levy date. Property taxes levied for the ensuing year's revenue are included in taxes receivable and deferred revenue. Property tax receivables related to delinquent taxes are also deferred unless collected within 60 days of year-end.

The Township is permitted by state statute to levy taxes up to \$1.30 per \$1,000 of taxable valuation for general government services other than the payment of principal and interest on long-term debt. In addition, the residents of the Township have approved an additional \$1.00 per \$1,000 specifically for the road improvements. The Township levied \$.8696 per \$1,000 for general governmental purposes and \$.9177 per \$1,000 for the road improvements for a total of \$1.7873 per \$1,000.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township carries commercial insurance to cover any losses that may result from the above described activities. No settlements have incurred in excess of coverage in 2007.

The Township also participates in a pool, the Michigan Township Participating Plan, with other municipalities for property, liability, wrongful acts, auto, crime, in-land marine, and bonding losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

NOTE 9 - NATURE AND PURPOSE OF DESIGNATIONS OF FUND BALANCE

Designations in the general fund exist for subsequent year expenditures and prepaid expenditures.

NOTE 10 - USE OF ESTIMATES

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF HANDY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2007

	Original budget	Final budget	Actual	Variance with final budget- positive (negative)
REVENUES:				
Taxes	\$ 483,800	\$ 483,800	\$ 530,218	\$ 46,418
Licenses and permits	20,000	20,000	10,373	(9,627)
Charges for services	2,504	2,504	2,144	(360)
Investment earnings	6,000	6,000	81,540	75,540
Rental income and royalties	12,600	12,600	44,286	31,686
Other	50,000	50,000	7,768	(42,232)
State shared revenue	288,286	288,286	280,888	(7,398)
Total revenues	863,190	863,190	957,217	94,027
EXPENDITURES:				
Current:				
General government:				
Legislative - trustees	64,612	66,009	50,009	16,000
Manager	50,000	50,000	21,005	28,995
Supervisor	22,823	22,923	23,109	(186)
Board of review	3,000	3,000	2,733	267
Assessing	61,000	61,000	60,204	796
Clerk	38,923	38,923	38,995	(72)
Treasurer	41,223	41,323	34,374	6,949
Township hall and grounds	167,000	204,803	169,241	35,562
General administration	50,000	56,686	46,421	10,265
Cemetery	2,000	2,000	1,400	600
Elections	15,100	17,644	14,289	3,355
Total general government	515,681	564,311	461,780	102,531
Public works:				
Sanitary land fill	5,000	5,000	2,817	2,183
Water and sewer systems	100,000	100,000	10,307	89,693
Streets and highways	245,000	245,000	182,315	62,685
Street lighting	500	500	273	227
Total public works	350,500	350,500	195,712	154,788

TOWNSHIP OF HANDY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2007

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
EXPENDITURES (Concluded):				
Current (Concluded):				
Community and economic development:				
Planning commission	\$ 96,500	\$ 96,500	\$ 57,603	\$ 38,897
Zoning board	25,500	25,500	23,687	1,813
Board of appeals	3,500	3,500	958	2,542
Economic development	7,000	7,000	7,000	
Total community and economic development	<u>132,500</u>	<u>132,500</u>	<u>89,248</u>	<u>43,252</u>
Culture and recreation:				
Parks and recreation	<u>25,000</u>	<u>27,142</u>	<u>27,727</u>	<u>(585)</u>
Other:				
Payroll taxes	15,000	15,000	15,021	(21)
Contingencies	50,771			
Insurance	<u>13,000</u>	<u>13,000</u>	<u>4,536</u>	<u>8,464</u>
Total other	<u>78,771</u>	<u>28,000</u>	<u>19,557</u>	<u>8,443</u>
Total expenditures	<u>1,102,452</u>	<u>1,102,453</u>	<u>794,024</u>	<u>308,429</u>
OTHER FINANCING SOURCES (USES):				
Operating transfer out	<u>(24,229)</u>	<u>(24,229)</u>	<u>(35,575)</u>	<u>(11,346)</u>
Net change in fund balance	<u><u>\$ (263,491)</u></u>	<u><u>\$ (263,492)</u></u>	<u>127,618</u>	<u><u>\$ 391,110</u></u>
FUND BALANCE:				
Beginning of year			<u>837,279</u>	
End of year			<u><u>\$ 964,897</u></u>	



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Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

December 7, 2007

To the Board of Trustees
Township of Handy
Fowlerville, Michigan

In planning and performing our audit of the financial statements of Handy Township as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Handy Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we believe that the following deficiencies constitute material weaknesses.

Accounting Expertise

Effective for the Township's year ended June 30, 2007, Statement on Auditing Standards #112 titled, *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit. We would expect this comment to continue from year-to-year. We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

Journal Entries

During the course of our audit, several journal entries were made to the Township's financial statements which had a material effect on the Township's financial reporting. The Township should continue to work on the accuracy of reconciliations for all significant accounts, paying close attention to proper cut-off. We believe that a review and evaluation of transactions and formalized monthly closing procedures will expedite the month-end closing and improve interim reporting. A formalized month end procedures checklist should be implemented and reviewed monthly.

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated, December 7, 2007 on the financial statements of Handy Township. Our comments are summarized as follows.

Excess Budget Expenditures

During the course of our audit it was noted that parks and recreation, payroll taxes, and operating transfer out exceeded the adopted budgets by \$585, \$21, and \$11,346, respectively. If expenditures are to exceed budgeted amounts the budget must be amended. The amendment must be approved by the Board prior to the expenditure being made. There is no authority to amend the budget after year end.

Employee Expense Reimbursements

During our audit procedures, it was noted that the Clerk and Deputy Clerk approved their own payroll/expense reimbursement checks. We recommend, that a Board member or another authorized signor approve these expenses other than the Clerk and Deputy Clerk. This will improve the internal controls over the employee expense reimbursement process.

Accounting and Procedures Manual

Currently there is no accounting and procedures manual. The Township should develop a procedure manual to assist in recording of transactions. A manual will ensure that in a case of employee turnover the operations and procedures in recording transactions remain consistent.

Employee Dishonesty Coverage

You should review the coverage of employee dishonesty insurance and assess the cost benefit of increasing the limits and individuals covered.

Cash and Bank Reconciliation Duties

Internal control is most effective when the bank reconciliation is prepared by someone not responsible for entries in the receipts and disbursements records. Inasmuch as this is difficult because of the small number of office employees, we recommend that test reconciliations be made from time to time by one of the officers. In addition, he or she should review, approve, and sign the bank reconciliation each month. In addition, an individual not responsible for the bank reconciliation should receive the bank statements unopened and review cancelled checks for propriety. The person performing the bank reconciliation should also review the cancelled checks for proper payee, signature and amount.

As the clerk records deposits from the pre-numbered receipt book, a review should be done for sequence of receipts to ensure all receipts are recorded and deposited.

New Auditing Standards

Recently, 10 new auditing standards have been released and are effective, or will become effective for your June 30, 2008 year end. In reviewing the new standards, they will have an impact on our overall audit approach. The trend is to perform audit procedures utilizing more of a risk based approach. One area which will continue to be emphasized is your internal controls.

To the Board of Trustees
Township of Handy
Fowlerville, Michigan

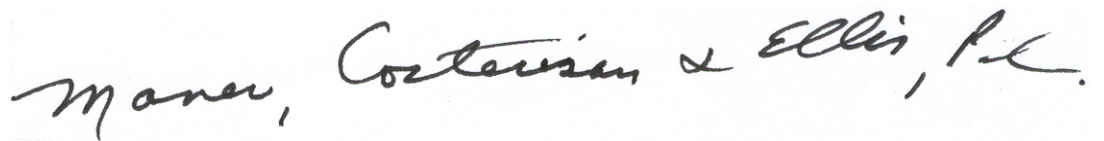
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December 7, 2007

This report is intended solely for the information and use of the Township of Handy, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

A handwritten signature in black ink that reads "Maner, Costarsen & Ellis, P.C." The signature is written in a cursive, flowing style.



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December 7, 2007

To the Board of Trustees
Township of Handy
Fowlerville, Michigan

We have audited the financial statements of Township of Handy for the year ended June 30, 2007, and have issued our report thereon dated December 7, 2007. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards.

As stated in our engagement letter dated November 7, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Township of Handy. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Township of Handy's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Township of Handy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by Township of Handy during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were estimated fixed assets lives for depreciation.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of Handy's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, several of the adjustments we proposed either individually or in the aggregate, indicate matters that could have a material effect on the Township's financial reporting process. Management has approved all adjustments.

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Handy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To the Board of Trustees
Township of Handy
Fowlerville, Michigan

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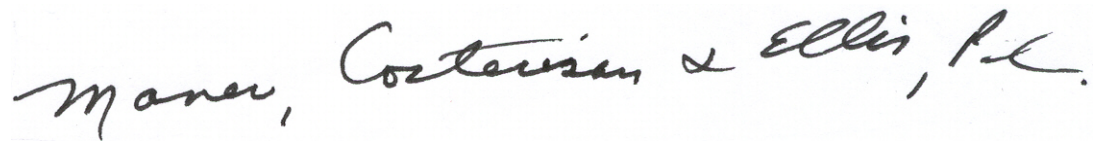
December 7, 2007

8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Trustees, and management of Township of Handy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Maner, Costarsen & Ellis, P.C." The signature is written in a cursive, flowing style.